

Spartanburg Community College Independent Auditors' Report

Financial Statements and Schedules for the Year Ended June 30, 2010



SPARTANBURG COMMUNITY COLLEGE



SPARTANBURG COMMUNITY COLLEGE

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June 30, 2010

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SPARTANBURG COMMUNITY COLLEGE

Area Commission Members, Officers, Key Staff and Other Pertinent Information
Audit Period July 1, 2009 – June 30, 2010

AREA COMMISSION

	<u>School District Represented</u>	<u>Term Expires</u>	<u>Office Held</u>
Mr. Bart C. Winkler	School District 1	4/27/13	
Mrs. Tammy Devine	School District 2	5/23/11	Secretary
Mr. Danny T. Phillips	School District 3	4/27/12	Vice Chairman
Mr. F. Gary Towery	School District 4	4/27/13	Chairman
Mr. William Bruce Johnson	School District 5	4/27/12	
Mr. William G. Sarratt	School District 6	4/27/13	
Mr. Anthony D. Bell	School District 7	4/27/12	
Mr. James M. Folk	School District 6	11/15/13	(Member-at-Large)
Ms. DeLoris H. Oliver	School District 7	05/23/11	(Member-at-Large)
Mr. Thomas F. Hatcher	Cherokee County	05/23/11	
Mr. Stanley O. Vanderford	Union County	11/15/13	
Dr. Scott Turner	Spartanburg	Ex-Officio	
Mr. Whit Kennedy	Spartanburg	Ex-Officio	

OFFICERS AND KEY ADMINISTRATIVE STAFF

Dr. Para M. Jones	President
Mr. Henry C. Giles	Executive Vice President
Dr. Patricia P. Abell	Vice President of Planning and Information Resources
Mr. Ronald Jackson	Vice President of Student Affairs
Dr. David A. Just	Vice President of Corporate and Community Education
Ms. Sherrill H. Vaughn	Vice President of Academic Affairs
Mr. Mike Forrester	Director of Economic Development
Vacant	Executive Director of Advancement and Foundation
Ms. Kathryn M. Conrad	Administrative Coordinator to the President
Ms. Geraldine S. Mahaffey	Administrative Assistant to the President

AREA SERVED BY COLLEGE

Spartanburg, Cherokee and Union Counties

CLINE BRANDT KOCHENOWER
& Co., P.A.
Certified Public Accountants
Established 1950

Independent Auditors' Report

Spartanburg Community College
Spartanburg, South Carolina

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit (Spartanburg Community College Foundation) of Spartanburg Community College, as of and for the year ended June 30, 2010, which collectively comprise the College's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *State Board for Technical and Comprehensive Education Audit Guide*. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Spartanburg Community College Foundation were not audited in accordance with Government Auditing Standards. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of Spartanburg Community College and its discretely presented component unit, as of June 30, 2010, and the changes in financial position, and cash flows thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America. As described in Note 1 to the financial statement, the College has adopted the mandate of the SC Comptroller General Office for the classification of PELL grant revenues

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2010 on our consideration of Spartanburg Community College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant and agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

We have also issued our report dated September 20, 2010 on our consideration of Spartanburg Community College administration of the State Lottery Assistance Program and on our test of its compliance with certain provisions of State law and policy 3-2-307 and Procedure 3-2-307.1 of the State Board for Technical and Comprehensive Education.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

A handwritten signature in blue ink, reading "C. Brantley & Co. PA". The signature is written in a cursive, flowing style.

September 20, 2010



Management's Discussion and Analysis

As management of Spartanburg Community College, we offer readers of the college's financial statements this narrative overview and analysis of the financial activities of the College for the fiscal year ended June 30, 2010, with comparative data for fiscal year ended June 30, 2009. The emphasis of discussion about these statements will be on current year data.

This report consists of a series of financial statements, prepared in accordance with the Governmental Accounting Standards Board (GASB) in Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis – for Colleges and Universities*. The financial statement presentation required by GASB Statements No. 34, No. 35, No. 39 and No. 40 provides a comprehensive, entity-wide perspective of the College's assets, liabilities, net assets, revenues, expenses, changes in net assets, and cash flows and replaces the fund-group perspective. The GASB statement presentation focuses on the financial condition of the College as a whole.

Overview of the Financial Statements

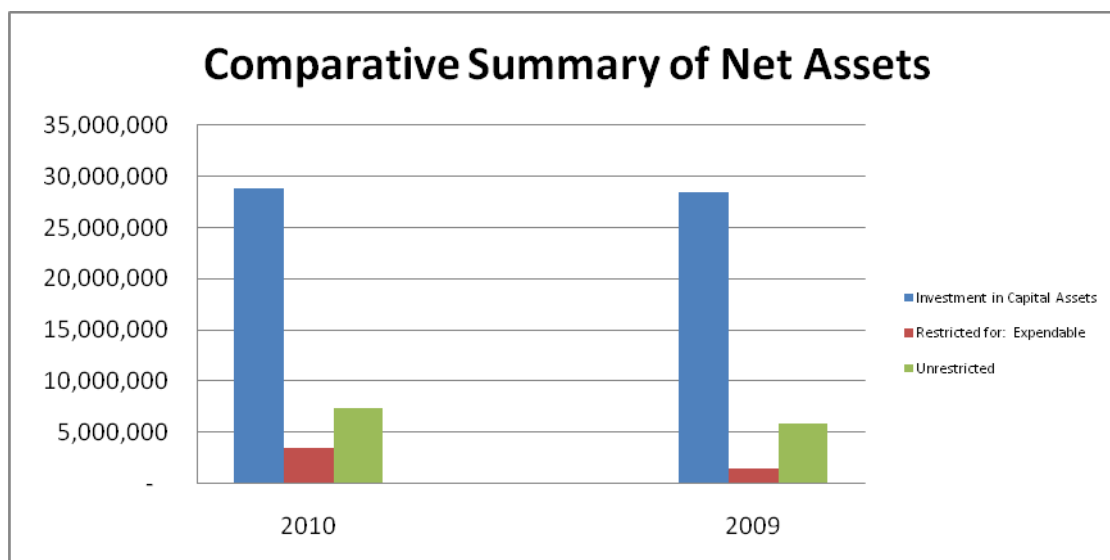
The College is engaged only in Business-type Activities (BTA) that are financed in part by fees charged to students for educational services. Accordingly, its activities are reported using the three financial statements required for proprietary funds: Statement of Net Assets; Statements of Revenues, Expenses, and Changes in Net Assets; and Statement of Cash Flows.

The Statement of Net Assets presents the financial position of the College at the end of the fiscal year and classifies assets and liabilities into current and non-current. The difference between total assets and total liabilities is net assets, which are displayed in three broad categories: invested in capital assets (net of related debt), restricted and unrestricted. Net assets are one indicator of the current financial position of the College, while the change in net assets is an indicator of whether the overall financial condition has improved or worsened during the year.

- The assets of Spartanburg Community College exceeded its liabilities at June 30, 2010, by \$39,750,716 (net assets). Of this amount, \$7,411,790 (unrestricted net assets) may be used to meet the College's ongoing obligations.
- Total assets of the College increased by \$3,089,069. Of this change, unrestricted cash and cash equivalents increased by \$3,068,421, accounts receivable increased by \$621,088 and capital assets, net of accumulated depreciation decreased by \$612,038.
- Total liabilities decreased by \$864,489. Long term liabilities decreased by \$1,095,037, principally due to the reduction in bond indebtedness from the year's bond scheduled payments.
- The net result is net assets increased by \$3,953,558.

**Condensed Summary of Net Assets
As of June 30, 2010 and 2009**

	2010	2009	Increase (Decrease)
Assets			
Current Assets	\$ 14,235,587	\$ 10,534,480	\$ 3,701,107
Capital Assets	40,132,233	40,744,271	(612,038)
Other	<u>0</u>	<u>0</u>	<u>0</u>
Total Assets	<u>54,367,820</u>	<u>51,278,751</u>	<u>3,089,069</u>
Liabilities			
Current Liabilities	3,334,282	3,103,734	230,548
Non-current Liabilities	<u>11,282,822</u>	<u>12,377,859</u>	<u>(1,095,037)</u>
Total Liabilities	<u>14,617,104</u>	<u>15,481,593</u>	<u>(864,489)</u>
Net Assets			
Invested in Capital Assets, net of Debt	28,863,035	28,483,233	379,802
Restricted - Capital Projects	3,602,754	1,611,203	1,991,551
Restricted - Debt Service	(123,266)	(109,496)	(13,770)
Loans	(3,597)	(35,130)	31,533
Unrestricted	<u>7,411,790</u>	<u>5,847,348</u>	<u>1,564,442</u>
Total Net Assets	<u>\$ 39,750,716</u>	<u>\$ 35,797,158</u>	<u>\$ 3,953,558</u>



The Statement of Revenues, Expenses, and Changes in Net Assets is basically a statement of net income that replaces the fund perspective with the entity-wide perspective. Revenues and expenses are categorized by operating and non-operating. Expenses are reported by object type.

GASB requires state appropriations and gifts to be classified as non-operating revenues. (Pell grants are classified as non-operating revenue – grants and contracts.) This requirement results in an operating deficit for the College.

- The College experienced an operating loss of \$27,435,222 as reported in the Statement of Revenues, Expenses and Changes in Net Assets. However, this operating loss is largely offset by state appropriations of \$8,276,090, local appropriations of \$4,870,791 and Pell grant awards of \$13,232,253.
- The scholarship allowance for tuition increased from \$8,618,142 to \$10,627,619 due to the increase in enrollment and an increase in both the number and total award amount of Pell grant awards. Pell grant awards increased by \$5,979,409.

**Condensed Summary of Revenues, Expenses and Changes in Net Assets
For the Years Ended June 30, 2010 and 2009**

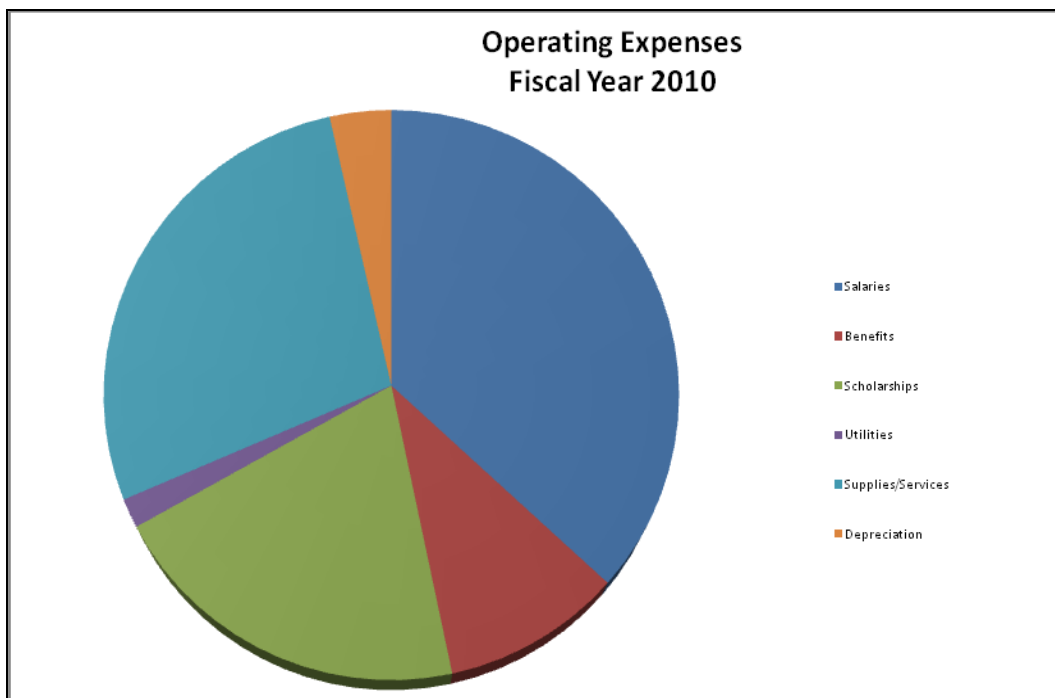
	2010	2009	Increase (Decrease)
Operating Revenues			
Student Tuition & Fees	\$ 15,052,044	\$10,614,202	\$4,437,842
Grants & Contracts	6,982,207	6,556,034	426,173
Auxiliary Enterprises	2,434,521	2,295,145	139,376
Sales & Services	54,054	58,297	(4,243)
Other	425,909	766,248	(340,339)
Total Operating Revenues	24,948,734	20,289,925	4,658,809
Less Operating Expenses	52,383,956	43,839,299	8,544,657
Operating Income (Loss)	(27,435,222)	(23,549,374)	(3,885,848)
Non-operating Revenue			
State Appropriations	8,276,090	8,950,506	(674,416)
State Appropriations - Other	0	0	0
State Capital Appropriations	0	0	0
County Appropriations	4,870,791	4,457,870	412,921
County Capital	1,000,000	998,971	1,029
Interest Income	27,051	15,275	11,776
Interest on Capital Asset	(481,264)	(496,821)	15,557
Federal Capital Grants & Contracts	130,578	0	130,578
Gain/Loss on Disposal of Assets	1,325	14,810	(13,485)
Grants & Contracts	17,564,209	9,892,647	7,671,562
Total Non-operating Revenues	31,388,780	23,833,258	7,555,522
Increase in Net Assets	3,953,558	283,884	3,669,674
Net Assets, Beginning of Year	35,797,158	35,513,274	283,884
Net Assets, End of Year	<u>\$ 39,750,716</u>	<u>\$35,797,158</u>	<u>\$ 3,953,558</u>

Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the institution.

- Salaries increased \$361,126 due to additions to faculty and staff in response to the large increase in enrollment.
- Benefits increased by \$260,089 due to the increasing cost of benefits such as retirement and insurance.
- Supplies and services increased by \$4,285,330. Three million of this increase resulted from a transfer from the current fund to the plant fund at fiscal year-end, as authorized by the Commission. The remaining increase in spending was principally related to American Recovery and Reinvestment Act (ARRA) funding provided to the College during 2009-10 totaling \$1,424,808. This funding was provided by the Federal Government to aid institutions during this prolonged economic downturn and will be available to the College for one more year.
- Scholarships increased by \$3,585,213 due to an increase in student loans and grants.

**Condensed Summary of Operating Expenses
For the Years Ended June 30, 2010 and 2009**

	2010	2009	Increase (Decrease)
Salaries	\$ 19,302,940	\$ 18,941,814	\$ 361,126
Benefits	5,165,745	4,905,656	260,089
Scholarships	10,565,595	6,980,382	3,585,213
Utilities	865,033	830,653	34,380
Supplies/Services	14,617,124	10,331,794	4,285,330
Depreciation	1,867,519	1,849,000	18,519
Total	<u>\$ 52,383,956</u>	<u>\$ 43,839,299</u>	<u>\$ 8,544,657</u>



The Statement of Cash Flows will aid readers in identifying the sources and uses of cash by the major categories of operating, capital and related financing, non-capital financing, and investing activities. This statement also emphasizes the College's dependence on State and County appropriations by separating them from operating cash flows.

- The change in cash flows is principally due to the large enrollment increase experienced during 2009-10 partially related to continuing high rates of unemployment. A tuition increase of \$60 per semester for in-county residents was effective in the fall 2009 term to partially offset the continuing decline in state funding.

**Condensed Summary of Cash Flows
For the Years Ended June 30, 2010 and 2009**

	<u>2010</u>	<u>2009</u>	<u>Difference</u>
Operating Activities	\$(25,950,322)	\$(14,578,118)	\$(11,372,204)
Non-capital Financing Activities	30,279,434	16,278,834	14,000,600
Capital and Related Financing Activities	(1,287,742)	(1,474,482)	186,740
Investing Activities	27,051	15,275	11,776
Net Increase in Cash	3,068,421	241,509	2,826,912
Cash & Cash Equivalents - Beginning of Year	7,769,538	7,528,029	241,509
Cash & Cash Equivalents - End of Year	<u>\$ 10,837,959</u>	<u>\$ 7,769,538</u>	<u>\$ 3,068,421</u>

Financial Analysis

Net assets may serve over time as a useful indicator of an entity's financial position. In the case of the College, assets exceeded liabilities by \$39,750,716 at the close of the fiscal year.

By far the largest portion of the College's net assets (73%) reflects its investment in capital assets (e.g. land, buildings, machinery and equipment); less any related debt used to acquire those assets that is still outstanding. The College uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the College's investment in its capital assets is reported net of debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Of the College's net assets, 9% represents resources that are subject to external restrictions on how they may be used. Unrestricted net assets of \$7,411,790 (19%) may be used to meet the College's ongoing obligations.

Cash was increased by \$3,068,421. Overall cash provided from non-capital financing activities included state and local appropriations, grants and gifts, and other income of approximately \$30.3 million, used to fund operating activities.

Financial Analysis (continued)

The College is party to a 20 year capital lease with the Spartanburg Community College Foundation for the lease of the Business Training Center on the Cherokee Campus. Lease payments in the amount of \$199,000 were made this fiscal year.

Renovations were completed to the Gaines Building and Corporate and Community Education was relocated to that facility. Renovations are underway to convert the vacated space in the East Building to classrooms and faculty offices.

The College has received permission from the State Joint Bond Review Committee to evaluate the acquisition of the Evans Building in order to establish a downtown campus. Spartanburg County Council unanimously approved a motion to transfer the Evans Building to the College at its June 21, 2010 meeting, in exchange for the Dent building (which the county has leased annually from the College) and a cash payment equal to the difference in the fair market values of the buildings. Several reviews are required before final approval is received by the College to acquire this facility.

Economic Factors

This past year, the State appropriation to the State Board for Technical & Comprehensive Education was once again reduced due to the continuing prolonged economic downturn that began in the last half of 2008. State funding for College operations was reduced another 9% during fiscal year 2010, after a 24% reduction experienced in fiscal year 2009. Further reductions of 15% are budgeted for fiscal year 2011. Spartanburg County increased their regular appropriation to the College by \$330,801 for fiscal year 2010. As previously noted above, ARRA funding of \$1,424,808 was also received by the College during 2009-10.

Spartanburg Community College experienced an increase in enrollment headcount of 21.5% for the fall 2009 term and 16.7% for the spring 2010 term. We have projected and budgeted for an additional 2.5% increase in enrollment for 2010-11.

Increased use of our facilities will put demands on our operational costs. Utilities are expected to increase and the cost of transportation between the three campuses will increase. Staffing all of our sites will become a top priority as the student enrollment increases at the Tyger River and Cherokee County campuses.

During the 2009-10 fiscal year, the College received \$1,000,000 from Spartanburg County that will be used for undesignated capital improvements.

SPARTANBURG COMMUNITY COLLEGE

Statement of Net Assets

June 30, 2010

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$ 10,837,960
Accounts Receivable, Net	2,712,327
Inventories	380,109
Other Assets	305,191

Total Current Assets	<u>14,235,587</u>
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NONCURRENT ASSETS

Capital Assets, Net of Accumulated Depreciation	<u>40,132,233</u>
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Total Noncurrent Assets	<u>40,132,233</u>
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Total Assets	<u><u>54,367,820</u></u>
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LIABILITIES

CURRENT LIABILITIES

Accounts Payable	160,612
Compensated Absences	122,631
Accrued Payroll and Related Liabilities	532,021
Long-term Liabilities - Current Portion	1,048,540
Deferred Revenue	1,347,212
Accrued Interest Payable	123,266

Total Current Liabilities	<u>3,334,282</u>
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NONCURRENT LIABILITIES

Long-term Liabilities - Noncurrent Portion	9,820,659
Compensated Absences - Payable	1,062,163
Other Liabilities - Advance	400,000

Total Noncurrent Liabilities	<u>11,282,822</u>
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Total Liabilities	<u><u>14,617,104</u></u>
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NET ASSETS

Invested in Capital Assets, Net of Related Debt	28,863,035
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Restricted For:

Expendable:

Loans	(3,597)
Capital Projects	3,602,754
Debt Service	(123,266)

Unrestricted	<u>7,411,790</u>
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Total Net Assets	<u><u>\$ 39,750,716</u></u>
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SEE NOTES TO FINANCIAL STATEMENTS

SPARTANBURG COMMUNITY COLLEGE
Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended June 30, 2010

REVENUES

OPERATING REVENUES

Student Tuition and Fees	\$ 13,684,527
(Net of Scholarship Allowances of \$9,914,659)	
Student Tuition and Fees Pledged for Revenue Bonds	1,367,517
(Net of Scholarship Allowances of \$712,960)	
Federal Grants and Contracts	1,398,109
State Grants and Contracts	4,949,727
Local Grants and Contracts	634,371
Sales and Services of Educational Departments	54,054
Auxiliary Enterprises (Net of Scholarship Allowances of \$1,456,242)	2,434,521
Other Operating Revenues	425,908
Total Operating Revenues	<u>24,948,734</u>

EXPENSES

OPERATING EXPENSES

Salaries	19,302,940
Benefits	5,165,745
Scholarships	10,565,595
Utilities	865,033
Supplies and Other Services	14,617,124
Depreciation	1,867,519
Total Operating Expenses	<u>52,383,956</u>
Operating Income (Loss)	<u>(27,435,222)</u>

NONOPERATING REVENUES (EXPENSES)

State Appropriations	8,276,090
Local Appropriations	4,870,791
Investment Income	27,051
Interest ON Capital Asset-Related Debt	(481,264)
Federal Grants and Contracts	17,543,781
State and Local Grants and Contracts	8,428
Net Non-operating Revenues	<u>30,244,877</u>
Income Before Other Revenues, Expenses, Gains or Losses	2,809,655

Federal Capital Grants and Contracts	130,578
Local Capital	1,000,000
Capital Grants and Gifts	12,000
Loss on Disposal of Capital Assets	1,325
Increase in Net Assets	<u>3,953,558</u>

NET ASSETS

Net Assets - Beginning of Year	<u>35,797,158</u>
Net Assets - End of Year	<u>\$ 39,750,716</u>

SEE NOTES TO FINANCIAL STATEMENTS

SPARTANBURG COMMUNITY COLLEGEStatement of Cash Flows
For the Year Ended June 30, 2010**CASH FLOWS FROM OPERATING ACTIVITIES**

Tuition and Fees	\$ 15,142,980
Federal, State and Local Grants and Contracts	6,217,337
Auxiliary Enterprise Charges	2,608,172
Payments to Suppliers for Goods and Services	(20,634,316)
Payments to Employees	(19,198,862)
Payments for Scholarships and Fellowships	(10,565,595)
Other Receipts	479,962
Net Cash Provided (Used) by Operating Activities	<u>(25,950,322)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State Appropriations	8,426,261
County Appropriations	4,870,424
Grants & Gifts Received for Other Than Capital Purposes	16,982,749
Net Cash Flows Provided by Noncapital Financing Activities	<u>30,279,434</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Federal Grants and Contracts	130,578
Local Grants and Contracts	1,295,170
Purchase of Capital Assets	(1,255,481)
Gain on Disposal of Assets	1,325
Principal Paid on Capital Debt	(991,840)
Interest Paid on Capital Debt	(467,494)
Net Cash Provided by Capital and Related Financing Activities	<u>(1,287,742)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest on Investments	<u>27,051</u>
Net Cash Flows Provided (Used) by Investing Activities	<u>27,051</u>

Net Increase (Decrease) in Cash	3,068,421
Cash - Beginning of Year	<u>7,769,538</u>
Cash - End of Year	<u>\$ 10,837,959</u>

**Reconciliation of Net Operating Revenue (Expenses) to Net Cash
Provided (Used) by Operating Activities:**

Operating Income (Loss)	\$ (27,435,222)
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Depreciation Expense	1,867,519
Change in Assets and Liabilities:	
Receivables, Net	(484,601)
Inventories	(68,166)
Deferred Charges and Prepaid Expenses	56,569
Accounts Payable and Accrued Expenses	113,110
Compensated Absences	16,151
Deferred Revenue	(15,682)
Net Cash Provided (Used) by Operating Activities	<u>\$ (25,950,322)</u>

SEE NOTES TO FINANCIAL STATEMENTS

SPARTANBURG COMMUNITY COLLEGE FOUNDATION

Statement of Financial Position
For the Year Ended June 30, 2010

ASSETS

CURRENT ASSETS

Cash	\$ 421,756
Accounts Receivable	1,000
Prepaid Insurance	4,295
Total Current Assets	<u>427,051</u>

PROPERTY AND EQUIPMENT

Land	432,877
Furniture and Fixtures	3,187
Equipment	223
Cherokee County Campus	4,091,533
Construction in Progress	-
	<u>4,527,820</u>
Less: Accumulated Depreciation	<u>359,820</u>
	<u>4,168,000</u>

OTHER ASSETS

Funds Held by Spartanburg County Foundation	563,304
	<u>563,304</u>

TOTAL ASSETS	\$ <u>5,158,355</u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable	\$ 25
Due to Spartanburg County Foundation	6,028
Accrued Interest	18,702
Unearned Revenue	138,583
Cherokee County Bond - Current Portion	101,756
Total Current Liabilities	<u>265,094</u>

LONG TERM LIABILITIES

Cherokee County Bond	2,073,914
	<u>2,073,914</u>

NET ASSETS

Unrestricted	2,140,758
Temporarily Restricted	678,589
Total Net Assets	<u>2,819,347</u>

TOTAL LIABILITIES AND NET ASSETS	\$ <u>5,158,355</u>
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SPARTANBURG COMMUNITY COLLEGE FOUNDATION

Statement of Activities
For the Year Ended June 30, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues and Support			
Grants and Contributions	\$ 25,659	\$ 127,114	\$ 152,773
Special Events	5,500	-	5,500
Investment Income (loss)	357	63,089	63,446
Lease Income	199,240	-	199,240
Net Assets Released from Restrictions	<u>203,631</u>	<u>(203,631)</u>	<u>-</u>
Total Revenues, Support, and Reclassifications	<u>434,387</u>	<u>(13,428)</u>	<u>420,959</u>
Expenses			
Program Services	101,656	-	101,656
Supporting Services	42,321	-	42,321
Special Events	3,699	-	3,699
Interest Expense	94,523	-	94,523
Depreciation Expense	<u>117,081</u>	<u>-</u>	<u>117,081</u>
Total Expenses	<u>359,280</u>	<u>-</u>	<u>359,280</u>
Change in Net Assets	75,107	(13,428)	61,679
Net Assets at Beginning of Year	<u>2,065,651</u>	<u>692,017</u>	<u>2,757,668</u>
Net Assets at End of Year	<u><u>2,140,758</u></u>	<u><u>678,589</u></u>	<u><u>2,819,347</u></u>

SPARTANBURG COMMUNITY COLLEGE

Notes To Financial Statements

June 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Nature of Operations: Spartanburg Community College (the “College”), a member institution of the South Carolina Technical College System, provides a range of educational programs to meet the needs of the adult population of Spartanburg, Union, and Cherokee counties. Included in this range of programs are technical and occupational associate degree, diploma and certificate curricula that are consistent with the needs of employers in the College’s service area. As an integral part of this mission, the College provides a program of continuing education designed to satisfy the occupational demands of employers through retraining and upgrading the skills of individual employees. The College also provides a variety of developmental education programs, support services and offerings to assist students in meeting their personal and professional educational objectives as well as the Associate of Arts and Associate of Science degree programs for students wishing to continue their education at a four year college or university.

Spartanburg Community College Foundation, Inc. (the “Foundation”) is a nonprofit organization that was formed June 28, 1983 to benefit and support education at Spartanburg Community College.

B. Reporting Entity: The financial reporting entity, as defined by the Governmental Accounting Standards Board (GASB) consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion could cause the financial statements to be misleading or incomplete. Accordingly, the financial statements include the accounts of Spartanburg Community College, as the primary government reporting unit, and the accounts of Spartanburg Community College Foundation, its component unit. The College is part of the primary government of the State of South Carolina. However, based on the nature and significance of the Foundation’s relationship with the State of South Carolina, the Foundation is not a component unit of the State of South Carolina.

The Foundation is a legally separate, tax-exempt component unit of the College. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the College in support of its programs. The board of the Foundation is self-perpetuating and consists of graduates and friends of the College. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests, are restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the College, the Foundation is considered a component unit of the College. The Foundation is reported in separate financial statements because of the difference in its reporting model, as further described below.

The Foundation is a private not-for-profit organization that reports its financial results under Financial Accounting Standards Board (FASB) Statements. Most significant to the Foundation’s operations and reporting model are FASB Statement No. 116, *Accounting for Contributions Received and Contributions Made*, and FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation’s financial information in the College’s financial reporting entity for these differences. However, significant note disclosures to the Foundation’s financial statements have been incorporated into the College’s notes to the financial statements. (See Note R within this Summary of Significant Accounting Policies.)

Financial statements for the Foundation can be obtained by mailing a request to: Spartanburg Community College Foundation, Post Office Box 4386, Spartanburg, South Carolina 29305.

SPARTANBURG COMMUNITY COLLEGE

Notes To Financial Statements, Continued

June 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

C. Financial Statements: The financial statements are presented in accordance with Governmental Accounting Standards Board ("GASB") Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. The financial statement presentation required by GASB Statements No. 34 and No. 35 provides a comprehensive, entity-wide perspective of the College's assets, liabilities, net assets, revenues, expenses, changes in net assets and cash flows that replaces the fund-group perspective previously required.

D. Basis of Accounting: For financial reporting purposes, the College is considered a special-purpose government engaged only in business-type activities. Accordingly, the College's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. Student tuition and auxiliary enterprise fees are presented net of scholarships and fellowships applied to student accounts, while stipends and other payments made directly are presented as scholarship expenses. All significant intra-institutional transactions have been eliminated.

The College has elected not to apply Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989.

E. Cash and Cash Equivalents: For purposes of the statement of cash flows, the College considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Funds invested through the State of South Carolina State Treasurer's Office are considered cash equivalents.

F. Investments: Deposits and investments for the College are governed by the South Carolina Code of Laws, Section 11-9-660, "Investments of Funds". GASB Statement No. 40, *Deposits and Investment Risk Disclosures – an amendment to GASB Statement No. 3*, requires disclosures related to deposit risks, such as custodial credit risk, and investment risks, such as credit risk (including custodial credit risk and concentrations of credit risks) and interest rate risk. The College accounts for its investments at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Changes in unrealized gain (loss) on the fair value of investments are reported as a component of investment income in the statement of revenues, expenses and changes in net assets.

G. Accounts Receivable: Accounts receivable consists of tuition and fee charges to students, gift pledges and auxiliary enterprise services provided to students, faculty and staff. Accounts receivable also include amounts due from the Federal government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the College's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts.

H. Inventories: Inventories for internal use are valued at cost. Inventories for resale are carried at the lower of cost or market on the first-in, first-out ("FIFO") basis.

SPARTANBURG COMMUNITY COLLEGE
Notes To Financial Statements, Continued
June 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

I. Capital Assets: Capital assets are recorded at cost at the date of acquisition or fair market value at the date of donation in the case of gifts. The College follows capitalization guidelines established by the State of South Carolina. All land is capitalized, regardless of cost. Qualifying improvements that rest in or on the land itself are recorded as depreciable land improvements. Major additions, renovations and other improvements that add to the usable space, prepare existing buildings for new uses, or extend the useful life of an existing building are capitalized. The College capitalizes movable personal property with a unit value in excess of \$5,000 and a useful life in excess of two years and depreciable land improvements, buildings and improvements, and intangible assets costing in excess of \$100,000. Routine repairs and maintenance and library materials, except individual items costing in excess of \$5,000, are charged to operating expenses in the year in which the expense was incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 15 to 50 years for buildings and improvements and land improvements and 2 to 25 years for machinery, equipment, and vehicles. A full year of depreciation is taken the year the asset is placed in service and no depreciation is taken in the year of disposition.

J. Deferred Revenues and Deposits: Deferred revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. Deferred revenues also include amounts received from grant and contract sponsors that have not yet been earned.

Deposits represent tuition for international students, student fee refunds, and other miscellaneous deposits. Student deposits are recognized as revenue during the semester for which the fee is applicable and earned when the deposit is nonrefundable to the student under the forfeit terms of the agreement.

K. Compensated Absences: Employee vacation pay expense is accrued at year-end for financial statement purposes. The liability and expense incurred are recorded at year-end as a component of long-term liabilities in the statement of net assets and as a component of benefit expenses in the statement of revenues, expenses, and changes in net assets.

L. Net Assets: The College's net assets are classified as follows:

Invested in capital assets, net of related debt: This represents the College's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

Restricted net assets - expendable: Restricted expendable net assets include resources in which the College is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

Restricted net assets - nonexpendable: Nonexpendable restricted net assets consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

SPARTANBURG COMMUNITY COLLEGE

Notes To Financial Statements, Continued

June 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Unrestricted net assets: Unrestricted net assets represent resources derived from student tuition and fees, appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the College, and may be used at the discretion of the governing board to meet current expenses for any purpose. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty and staff.

The College policy for applying expenses that can use both restricted and unrestricted resources is delegated to the departmental administrative level. General practice is to first apply the expense to restricted resources and then to unrestricted resources.

M. Income Taxes: The College is exempt from income taxes under the Internal Revenue Code.

N. Classification of Revenues: The College has classified its revenues as either operating or nonoperating revenues according to the following criteria:

Operating revenues: Operating revenues generally result from exchange transactions to provide goods or services related to the College's principal ongoing operations. These revenues include (1) student tuition and fees received in exchange for providing educational services and other related services to students; (2) receipts for scholarships where the provider has identified the student recipients; (3) fees received from organizations and individuals in exchange for miscellaneous goods and services provided by the College; and (4) grants and contracts that are essentially the same as contracts for services that finance programs the College would not otherwise undertake.

Nonoperating revenues: Nonoperating revenues include activities that have the characteristics of nonexchange transactions. These revenues include gifts and contributions, appropriations, investment income, and any grants and contracts that are not classified as operating revenue or restricted by the grantor to be used exclusively for capital purposes. Beginning fiscal year 2009-10, the SC Comptroller General's office mandated that Pell grants be reclassified as non-operating revenues from operating revenues, therefore, fiscal year 2008-09 financial statements were restated in order to standardize comparisons between fiscal year 2008-09 and fiscal year 2009-10. State fiscal stabilization funds are reported as federal non-operating revenues in the financial statements, with a portion reported as federal capital grants, as appropriate.

O. Sales and Services of Educational and Other Activities: Revenues from sales and services of educational and other activities generally consist of amounts received from instructional and public service activities that incidentally create goods and services which may be sold to students, faculty, staff, and the general public. The College receives such revenues from programs such as culinary arts luncheons, horticultural plant sales and massage therapy sessions.

P. Auxiliary Enterprises and Internal Service Activities: Auxiliary enterprise revenues primarily represent revenues generated by bookstore services and vending. Revenues of internal service and auxiliary enterprise activities and the related expenditures of college departments have been eliminated.

Q. Capitalized Interest: The College capitalizes as a component of construction in progress interest cost in excess of earnings on debt associated with the capital projects that will be capitalized in the applicable capital asset categories upon completion. The College incurred \$481,264 of interest cost during the year ended June 30, 2010, all of which was charged to expense.

SPARTANBURG COMMUNITY COLLEGE

Notes To Financial Statements, Continued

June 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

R. Component Unit: The Foundation maintains its accounts in accordance with the principles and practices of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified for accounting purposes in accordance with activities or objectives specified by donors. Accordingly, net assets and changes therein are classified as follows:

Permanently Restricted Net Assets: Permanently Restricted Net Assets are subject to donor-imposed stipulations that require them to be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related investments for general or specific purposes.

Temporarily Restricted Net Assets: Temporarily Restricted Net Assets are subject to donor-imposed stipulations that will be met by actions of the Foundation and/or passage of time.

Unrestricted Undesignated Net Assets: Unrestricted Undesignated Net Assets are not subject to donor-imposed stipulations that will be met by actions of the Foundation and/or passage of time.

Unrestricted Designated Net Assets: Unrestricted Designated Net Assets are not subject to donor-imposed restrictions but subject to Foundation Board imposed stipulations.

Revenues are reported as increases in unrestricted net assets classification unless use of the related assets is limited by donor-imposed restrictions. Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized as revenue until the conditions on which they depend are substantially met. Contributions for in-kind gifts from outside sources are not recorded in the Foundation's financial records, but are accounted for and acknowledged separately.

Expenses are reported as decreases in unrestricted undesignated or unrestricted designated net assets as appropriate. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted undesignated or unrestricted designated net assets unless their use is restricted by explicit donor stipulation or by law.

Investments are reported at fair value based upon quoted market prices.

NOTE 2 – STATE APPROPRIATIONS

State funds for the South Carolina Technical College System are appropriated to the State Board for Technical and Comprehensive Education (the Board), and the Board allocates funds budgeted for the technical and community colleges in a uniform and equitable manner. Appropriations are recognized as revenue when received and available. Amounts that are not expended by fiscal year-end lapse and are required to be returned to the General Fund of the State unless the Board receives authorization from the General Assembly to carry the funds over to the next year.

SPARTANBURG COMMUNITY COLLEGE
Notes To Financial Statements, Continued
June 30, 2010

NOTE 2 – STATE APPROPRIATIONS, Continued

The following is a reconciliation of the state appropriations revenue reported in the financial statements for the fiscal year ended June 30, 2010:

Non-Capital Appropriations

Appropriations Per State Board Allocation	\$ 6,630,192
Appropriations for Cherokee Campus	1,066,842
Lottery Technology Funds	285,984
Appropriations from Commission on Higher Education for Academic Endowment	718
Proviso 72.106 USC Upstate	-
Allied Health Allocation	292,114
Waldrop Pipefitter Apprenticeship Grant	240
Less: Prior Year's Appropriations Recorded As Current Year Revenue	-
Plus: Next Year's Appropriations Recorded As Current Year Revenue	-
Total Non-Capital Appropriations Recorded As Current Year Revenue	<u><u>\$ 8,276,090</u></u>

Capital Appropriations

2005-06 Appropriation Act - Proviso 73.18 - Cherokee Expansion	\$ -
Less: Prior Year's Appropriations Recorded As Current Year Revenue	-
Plus: Next Year's Appropriations Recorded As Current Year Revenue	-
Total Capital Appropriations Recorded As Current Year Revenue	<u><u>\$ -</u></u>

Research Infrastructure Bond Proceeds

Proceeds Drawn During the Current Fiscal Year - Life Science Deferred Maint.	\$ -
Plus: Expenses Incurred but Not Drawn During Current Fiscal Year	-
Less: Proceeds Drawn but Not Expended During the Current Fiscal Year	-
Total Research Infrastructure Bond Proceeds Recorded as Current Year Revenue	<u><u>\$ -</u></u>

NOTE 3 – DEPOSITS AND INVESTMENTS

DEPOSITS

State Law requires that a bank or savings and loan association receiving State funds must secure the deposits by deposit insurance, surety bonds, collateral securities, or letters of credit to protect the State against any loss.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that a government will not be able to recover deposits if the depository financial institution fails or to recover the value of collateral securities that are in the possession of an outside party if the counterparty transaction fails.

SPARTANBURG COMMUNITY COLLEGE

Notes To Financial Statements, Continued

June 30, 2010

NOTE 3 – DEPOSITS AND INVESTMENTS, Continued

The College's policy concerning custodial credit risk is to invest surplus funds of the College in a manner that maximizes return to the College while safeguarding against any potential of loss. The President is authorized to invest surplus funds or may delegate this responsibility to the Executive Vice President. Investments shall be selected from financial institutions on a competitive basis through an informal bidding process (and all in compliance with State laws and regulations). All investments shall be protected by FDIC, FSLIC, and/or have sufficient pledged securities as collateral. This policy was formally approved by the Commission on August 16, 2004.

The deposits for Spartanburg Community College at June 30, 2010, were \$12,196,140. Of these, \$0 were exposed to custodial credit risk as uninsured and uncollateralized.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. Spartanburg Community College does not maintain deposits that are denominated in a currency other than the United States dollar; therefore, the College is not exposed to this risk.

INVESTMENTS

The College is authorized, by the South Carolina Code of Laws, Section 11-9-660, to invest in obligations of the United States and its agencies, obligations of the State of South Carolina and its political subdivisions, collateralized or federally insured certificates of deposit, and collateralized repurchase agreements.

The College had no investments at June 30, 2010.

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty to a transaction, the College will not be able to recover the value of investments or collateral securities that are in the possession of an outside party.

The College's policy concerning custodial credit risk is to invest surplus funds of the College in a manner that maximizes return to the College while safeguarding against any potential of loss. The President is authorized to invest surplus funds or may delegate this responsibility to the Executive Vice President. Investments shall be selected from financial institutions on a competitive basis through an informal bidding process. All investments shall be protected by FDIC, FSLIC, and/or have sufficient pledged securities as collateral. This policy was formally approved by the Commission on August 16, 2004.

The College's investments at June 30, 2010, were held by the College or in the College's name by the College's custodial banks. The College recognized no losses due to the default by counterparts to investment transactions and amounts recovered from prior period losses.

SPARTANBURG COMMUNITY COLLEGE
Notes To Financial Statements, Continued
June 30, 2010

NOTE 3 – DEPOSITS AND INVESTMENTS, Continued

Credit Risk

Credit risk is the risk that an insurer or other counterparty to an investment will not fulfill its obligations.

The College's policy concerning credit risk is to invest surplus funds of the College in a manner that maximizes return to the College while safeguarding against any potential of loss. The President is authorized to invest surplus funds or may delegate this responsibility to the Executive Vice President. Investments shall be selected from financial institutions on a competitive basis through an informal bidding process. All investments shall be protected by FDIC, FSLIC, and/or have sufficient pledged securities as collateral. This policy was formally approved by the Commission on August 16, 2004.

The College's excess funds were held in an interest bearing checking account, which was fully insured or collateralized at June 30, 2010.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The College does not have a policy on concentration of credit risk.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. It occurs because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase, thereby affording potential purchasers more favorable rates on essentially equivalent securities.

The College does not have a policy concerning interest rate risk.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. Spartanburg Community College does not maintain investments that are denominated in a currency other than the United States dollar, and therefore, the college is not exposed to this risk.

SPARTANBURG COMMUNITY COLLEGE

Notes To Financial Statements, Continued

June 30, 2010

NOTE 3 – DEPOSITS AND INVESTMENTS, Continued

Cash and Investment Reconciliation

The following schedule reconciles cash and investments as reported on the Statement of Net Assets to footnote disclosure provided for deposits and investments.

STATEMENT OF NET ASSETS:	
Cash and Cash Equivalents	\$ 10,837,960
Restricted Cash and Cash Equivalents	-
Total	<u>\$ 10,837,960</u>
DEPOSITS AND INVESTMENTS NOTE:	
Cash on Hand	\$ 1,950
Carrying Amounts of Deposits, Net	10,836,010
Total	<u>\$ 10,837,960</u>

Component Unit-Deposits and Investments

The deposits and investments for the Spartanburg Community College Foundation, Inc. at June 30, 2010, were as follows:

Cash	\$ 421,756
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The Foundation has established several investment funds with Spartanburg County Foundation. The funds are held, managed, administered, applied and disbursed under general powers and duties of the Spartanburg County Foundation

The investment funds are carried as assets on the Foundation's financial statements, since these funds were established by the Spartanburg Community College Foundation with the Foundation as the beneficiary. The proceeds of these funds are to be used for scholarship assistance for students attending Spartanburg Community College or for the benefit of the College depending on the purpose of the individual investment funds.

The following is a summary of the activity in the investment funds for the year ended June 30, 2010, as reported by the Spartanburg County Foundation:

Balance - July 1, 2009	\$ 508,220
Contributions	10,848
Interest/Dividend Income	5,304
Realized Gains/(Losses)	884
Unrealized Gains/(Losses)	65,092
Distributions	(18,674)
Management Fees	(8,370)
Balance - June 30, 2010	<u>\$ 563,304</u>

SPARTANBURG COMMUNITY COLLEGE
Notes To Financial Statements, Continued
June 30, 2010

NOTE 4 – ACCOUNTS RECEIVABLE

Receivables as of June 30, 2010, including applicable allowances, were as follows:

Receivables:

Student Accounts	\$ 981,193
Less: Allowance for Doubtful Accounts	(560,611)
Other	356,367
Cherokee County	3,105
Union County	1,315
Spartanburg County	-
State Grants and Contracts	1,192,075
State Appropriation - Allied Health	24,255
Federal Grants and Other Contracts	714,628
	<hr/>
Net Accounts Receivable	<u>\$ 2,712,327</u>

Allowances for losses for student accounts receivable are established based upon actual losses experienced in prior years and evaluations of the current account portfolio. At June 30, 2010, the allowance for uncollectible student accounts is valued at \$560,611.

Component Unit – Accounts Receivable

At June 30, 2010, accounts receivable for the Foundation was related to contribution revenue from an individual for scholarships. This contribution is included in grants and contributions revenue by the Foundation. The amount of accounts receivable at June 30, 2010 is \$1,000.

NOTE 5 – PLEDGES RECEIVABLE COMPONENT UNIT

During the year, the Foundation received pledges from individuals, foundations and local businesses to fund a capital project, the future downtown campus building acquisition and renovation (see Note 22). The pledges range from 1 – 5 years with monthly to annual payment schedules. These pledges have not been recognized as revenue or receivables by the Foundation at year-end, because the S.C. Budget and Control Board has not given its final approval to the project. The total amount of the pledges as of June 30, 2010 was \$2,785,250 of which \$138,583 has been received and is being held and reflected as deferred revenue on the Statement of Financial Position for the Foundation.

SPARTANBURG COMMUNITY COLLEGE
Notes To Financial Statements, Continued
June 30, 2010

NOTE 6 – CAPITAL ASSETS

	Beginning Balance 06/30/09	Additions	Retirements	Transfers	Ending Balance 06/30/10
Capital Assets Not Being Depreciated:					
Land and Improvements	\$ 1,901,665	-	-	-	1,901,665
Construction in Progress	1,611,043	927,473	1,645,088	-	893,428
Works of Art, Historical Treasures, and Similar Assets	14,644	-	-	-	14,644
Total Capital Assets Not Being Depreciated	<u>3,527,352</u>	<u>927,473</u>	<u>1,645,088</u>	<u>-</u>	<u>2,809,737</u>
Other Capital Assets:					
Buildings and Improvements	47,075,567	1,645,088	-	-	48,720,655
Machinery, Equipment, and Other	5,843,412	289,699	80,594	12,000	6,064,517
Vehicles	556,764	46,364	7,472	-	595,656
Depreciable Land Improvements	1,983,710	-	-	-	1,983,710
Intangibles Assets	217,143	-	-	-	217,143
Total Other Capital Assets	<u>55,676,596</u>	<u>1,981,151</u>	<u>88,066</u>	<u>12,000</u>	<u>57,581,681</u>
Less Accumulated Depreciation For:					
Buildings and Improvements	12,022,208	1,183,699	-	-	13,205,907
Machinery, Equipment and Other	4,517,295	574,218	60,539	-	5,030,974
Vehicles	406,214	46,951	7,472	-	445,693
Depreciable Land Improvements	1,296,817	62,652	-	-	1,359,469
Intangibles	217,143	-	-	-	217,143
Total Accumulated Depreciation	<u>18,459,677</u>	<u>1,867,520</u>	<u>68,011</u>	<u>-</u>	<u>20,259,186</u>
Other Capital Assets, Net	<u>37,216,919</u>	<u>113,631</u>	<u>20,055</u>	<u>12,000</u>	<u>37,322,495</u>
Capital Assets, Net	<u>\$ 40,744,271</u>	<u>1,041,104</u>	<u>1,665,143</u>	<u>12,000</u>	<u>40,132,232</u>

Certain Real Estate Assets Carry Restrictions. See Note 9.

The Gain/(Loss) on Disposal of Assets consisted of the following:

Gain on Disposals	\$ -
(Loss) on Disposals	<u>(1,325)</u>
Net Gain/(Loss) on Disposals	<u>\$ (1,325)</u>

Component Unit

	6/30/2010
Capital Assets Not Being Depreciated:	
Land and Improvements	\$ 432,877
Construction in Progress	-
Total Capital Assets Not Being Depreciated	<u>432,877</u>
Other Capital Assets:	
Buildings	4,091,533
Machinery, Equipment, and Other	3,410
Total Other Capital Assets at Historical Cost	<u>4,094,943</u>
Less Accumulated Depreciation for:	
Machinery, Equipment, and Buildings	<u>359,820</u>
Other Capital Assets, Net	<u>3,735,123</u>
Capital Assets, Net	<u>\$ 4,168,000</u>

SPARTANBURG COMMUNITY COLLEGE

Notes To Financial Statements, Continued

June 30, 2010

NOTE 7 – PENSION PLAN(S)

The Retirement Division of the State Budget and Control Board maintains four independent defined benefit plans and issues its own publicly available Comprehensive Annual Financial Report (CAFR) which includes financial statements and required supplementary information. A copy of the separately issued CAFR may be obtained by writing to Financial Services, South Carolina Retirement Systems, PO Box 11960, Columbia, South Carolina 29211. Furthermore, the Retirement System and the four pension plans are included in the CAFR of the State of South Carolina.

Article X, Section 16, of the South Carolina Constitution requires that all State-operated retirement systems be funded on a sound actuarial basis. Title 9 of the South Carolina Code of Laws of 1976, as amended, prescribes requirements relating to membership, benefits, and employee/employer contributions for each pension plan. Employee and employer contribution rates for the South Carolina Retirement System and the Police Officers Retirement System are actuarially determined. Annual benefits, payable monthly for life, are based on length of service and on average final compensation.

South Carolina Retirement System

The majority of employees of Spartanburg Community College are covered by a retirement plan through the South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Retirement Division, a public employee retirement system. Generally all State employees are required to participate in and contribute to the SCRS as a condition of employment unless exempted by law as provided in Section 9-1-480 of the South Carolina Code of Laws. This plan provides retirement annuity benefits as well as disability, cost of living adjustment, death, and group-life insurance benefits to eligible employees and retirees.

From July 1, 1988 to June 30, 2005 employees participating in the SCRS were required to contribute 6.0 percent of all compensation. On July 1, 2005, the required employee contribution increased to 6.25 percent. On July 1, 2006, the required employee contribution increased to 6.50 percent. Effective July 1, 2009, the employer contribution rate became 12.74 percent which included a 3.50 percent surcharge to fund retiree health and dental insurance coverage. The College's actual contributions to the SCRS for the three most recent fiscal years ending June 30, 2010, 2009, and 2008, were \$3,072,294, \$2,801,484, and \$2,541,789, respectively, and equaled the required contributions of 9.24 percent (excluding the surcharge) for 2010 and 9.06 percent (excluding the surcharge) for 2008 and 2009. Also, the College paid employer group-life insurance contributions of \$25,335 in the current fiscal year at the rate of .15 percent of compensation.

Police Officers Retirement System

The South Carolina Police Officers Retirement System (PORS) is a cost-sharing multiple-employer defined benefit public employee retirement plan administered by the Retirement Division. Generally all full-time employees whose principal duties are the preservation of public order or the protection or prevention and control of property destruction by fire are required to participate in and contribute to the System as a condition of employment. This plan provides annuity benefits as well as disability and group-life insurance benefits to eligible employees and retirees. In addition, participating employers in the PORS contribute to the accidental death fund which provides annuity benefits to beneficiaries of police officers and firemen killed in the actual performance of their duties. These benefits are independent of any other retirement benefits available to the beneficiary.

SPARTANBURG COMMUNITY COLLEGE
Notes To Financial Statements, Continued
June 30, 2010

NOTE 7 – PENSION PLAN(S), Continued

Since July 1, 1988, employees participating in the PORS have been required to contribute 6.5 percent of all compensation. Effective July 1, 2009, the employer contribution rate became 14.15 percent which, as for the SCRS, included the 3.50 percent surcharge. The College's actual contributions for the years ended June 30, 2010, 2009 and 2008, were \$5,085, \$5,041, and \$6,945, respectively, and equaled the required contributions of 10.65 percent (excluding surcharge) for 2010 and 10.3 percent (excluding surcharge) for 2009 and 2008. Also, the College paid employer group-life insurance contributions of \$71 and accidental death insurance contributions of \$71 in the current fiscal year for PORS participants. The rate for each of these insurance benefits is .20 percent of compensation.

Optional Retirement Program

The State Optional Retirement Program (State ORP) was first established as the Optional Retirement Program for Higher Education in 1987. In its current form, the State ORP is an alternative to the defined benefit SCRS plan offered to certain state, public school and higher education employees of the State. The State ORP, which is administered by the South Carolina Retirement Systems, is a defined contribution plan. State ORP participants direct the investment of their funds into a plan administered by investment providers. The State assumes no liability for State ORP benefits. Rather, the benefits are the liability of the investment providers and are governed by the terms of the contracts issued by them.

Under State law, contributions to the ORP are required at the same rates as for the SCRS, 9.24 percent plus the retiree surcharge of 3.50 percent from the employer in fiscal year 2010.

Employees are eligible for group-life insurance benefits while participating in the State ORP. However, employees who participate in the State ORP are not eligible for postretirement group-life insurance benefits. For the fiscal year, total contribution requirements to the ORP were \$218,674 (excluding the surcharge) from Spartanburg Community College as employer and \$111,569 from its employees as plan members. In addition, the College paid to the SCRS employer group-life insurance contributions of \$2,575 in the current fiscal year at the rate of .15 percent of compensation.

Deferred Compensation Plans

Several optional deferred compensation plans are available to State employees and employers of its political subdivisions. Certain employees of the College have elected to participate. The multiple-employer plans, created under Internal Revenue Code Sections 457, 401(k), and 401(r), are administered by third parties and are not included in the Comprehensive Annual Financial Report of the State of South Carolina. Compensation deferred under the plans is placed in trust for the contributing employee. The State has no liability for losses under the plans. Employees may withdraw the current value of their contributions when they terminate State employment. Employees may also withdraw contributions prior to termination if they meet requirements specified by the applicable plan.

SPARTANBURG COMMUNITY COLLEGE

Notes To Financial Statements, Continued

June 30, 2010

NOTE 7 – PENSION PLAN(S), Continued

Teacher and Employee Retention Incentive

Effective January 1, 2001, Section 9-1-2210 of the South Carolina Code of Laws allows employees eligible for service retirement to participate in the Teacher and Employee Retention Incentive (TERI) Program. TERI participants may retire and begin accumulating retirement benefits on a deferred basis without terminating employment for up to five years. Upon termination of employment or at the end of the TERI period, whichever is earlier, participants will begin receiving monthly service retirement benefits which will include any cost of living adjustments granted during the TERI period. Because participants are considered retired during the TERI period, they do not earn service credit and are ineligible to receive group life insurance benefits or disability retirement benefits. Effective July 1, 2005, employees who choose to participate in the TERI Program will be required to make SCRS contributions. Due to the South Carolina Supreme Court decision in *Layman et al v. South Carolina Retirement System and the State of South Carolina*, employees who choose to participate in the TERI Program, prior to July 1, 2005 will not be required to make SCRS contributions.

NOTE 8 – POSTEMPLOYMENT AND OTHER EMPLOYEE BENEFITS

In accordance with the South Carolina Code of Laws and the annual Appropriation Act, the State of South Carolina provides certain health care, dental, and life insurance benefits to certain active and retired State employees and certain surviving dependents of retirees. All permanent full-time and certain permanent part-time employees of the College are eligible to receive these benefits. The State provides post-employment health and dental benefits to employees who retire from State service or who terminated with at least 20 years of State service who meet one or more of the eligibility requirements, such as age, length of service, and hire date. Generally those who retire must have at least 10 years of retirement service credit to qualify for these State-funded benefits. Benefits are effective at date of retirement when the employee is eligible for retirement benefits.

These benefits are provided through annual appropriations by the General Assembly to the College for its active employees and to the State Budget and Control Board for all participating State retirees except the portions funded through the pension surcharge and provided from other applicable fund sources of the College for its active employees who are not funded by State General Fund appropriations. The State finances health and dental plan benefits on a pay-as-you-go basis.

The College recorded benefit expenses for these insurance benefits for active employees in the amount of \$1,289,487 for the year ended June 30, 2010. As discussed in Note 7, the College paid \$592,400 applicable to the 3.50 percent surcharge included with the employer contributions for retirement benefits. These amounts were remitted to the South Carolina Retirement Systems for distribution to the Office of Insurance Services for retiree health and dental insurance benefits.

Information regarding the cost of insurance benefits applicable to the College's retirees is not available. By State law, the College has no liability for retirement benefits. Accordingly, the cost of providing these benefits for retirees is not included in the accompanying financial statements.

In addition, the State General Assembly periodically directs the Retirement Systems to pay supplemental (cost of living) increases to retirees. Such increases are primarily funded from Systems' earnings; however, a portion of the required amount is appropriated from the State General Fund annually for the SCRS and PORS benefits.

SPARTANBURG COMMUNITY COLLEGE
Notes To Financial Statements, Continued
June 30, 2010

NOTE 9 – CONTINGENCIES, LITIGATION, AND PROJECT COMMITMENTS

The College may be party to various lawsuits arising out of the normal conduct of its operations. In the opinion of College management, there are no material claims or lawsuits against the College that are not covered by insurance or whose settlement would materially affect the College's financial position.

The College participates in certain Federal grant programs. These programs are subject to financial and compliance audits by the grantor or its representative. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. Management believes disallowances, if any, will not be material.

Necessary funding has been obtained for the acquisition, construction, renovation, and equipping of certain facilities, which will be capitalized in the applicable capital asset categories upon completion. At June 30, 2010, the College had remaining commitment balances of approximately \$424,513 with certain property owners, engineering firms, construction contractors, and vendors related to these projects. Other capital projects, which are not to be capitalized when completed, are for replacements, repairs, and/or renovations to existing facilities. Remaining commitment balances with certain parties related to these projects total \$83,966 at June 30, 2010.

The College anticipates funding these projects out of current resources, current and future bond issues, private gifts, student fees, and state capital improvement bond proceeds.

During the 1998-99 fiscal year, the college received a non-interest bearing advance of \$400,000 from the General Assembly to be used to purchase a building. This note will be repaid if the building is sold. For financial reporting purposes, this amount is classified on the Statement of Net Assets as "Other Liabilities-Advance" under Non-Current Liabilities.

Two buildings, the Health Building on the main campus and the Academic Building on the Cherokee County campus, were partially funded by grants from the Economic Development Administration (EDA). As a condition of the grants, the College entered into a twenty year mortgage agreement on the property with the EDA. The mortgage creates a contingent liability that would be imposed in the event that Spartanburg Community College acted in a manner prohibited by the award. According to the agreement, the College may not transfer or convey, including leasing the property, without the written consent of EDA. The College must maintain insurance coverage and must keep the property in good condition. The possibility of this mortgage resulting in a liability for the College is remote. Therefore, the contingent liability is not reflected in the College's financial statements.

NOTE 10 – LEASE OBLIGATIONS

Capital Leases:

The College entered into a 20-year lease agreement with the Spartanburg Community College Foundation on September 29, 2005. This agreement is for the lease of the Business Training Center on the Cherokee Campus. The lease began on the first day of the month after the month in which the facility was ready for occupancy. The first payment was on January 25, 2007.

Spartanburg Community College has the option to purchase all of its rights, title and interest at any time during the initial term or any extended term of the lease at a price equal to the sum of (a) the 2003 land appraisal of the value of the land per acre, times the acreage of the leased property (b) the Spartanburg Community College Foundation's un-financed capital expenditures invested in the facility and other improvements on the property, and (c) the aggregate outstanding balance of all loans incurred by the Foundation to construct the building, access roads and parking.

SPARTANBURG COMMUNITY COLLEGE

Notes To Financial Statements, Continued

June 30, 2010

NOTE 10 – LEASE OBLIGATIONS, Continued

The cost of the building is \$2,578,561 and the accumulated depreciation is \$193,392 at June 30, 2010.

The capital lease with the Spartanburg Community College Foundation was \$199,000 for the year ended June 30, 2010.

Future minimum payments to be paid:

<u>Year Ended June 30</u>	<u>Capital Lease with Discretely Presented Component Units</u>
2011	\$ 199,000
2012	199,000
2013	199,000
2014	199,000
2015-2019	995,000
2020-2024	995,000
2025-2026	398,000
Total Minimum Payments	<u>\$ 3,184,000</u>
Less: Interest	(889,113)
Present Value of Net Minimum Lease Payment	<u><u>\$ 2,294,887</u></u>

Operating Leases:

Future commitments for copier and postage meter operating leases having remaining non-cancelable terms in excess of one year as of June 30, 2010 were as follows:

<u>Year Ended June 30</u>	<u>Operating Leases with External Parties</u>
2011	\$ 54,218
2012	54,218
2013	46,742
Thereafter	19,025
Total Minimum Payments	<u><u>\$ 174,203</u></u>

Contingent rentals for copier leases paid on a cost-per-copy basis are as follows:

<u>Year Ended June 30</u>	<u>Operating Leases With External Parties</u>
2010	\$ 78,528

SPARTANBURG COMMUNITY COLLEGE

Notes To Financial Statements, Continued

June 30, 2010

NOTE 10 – LEASE OBLIGATIONS, Continued

The College's non-cancelable operating leases provide for renewal options for periods from one to three years at their fair rental value at the time of renewal. In the normal course of business, operating leases are generally renewed or replaced by other leases and are generally payable on a monthly basis. Total rental payments for copier equipment were \$41,963 for fiscal year 2010. The rental payments on the postage meter were \$10,606, and we paid \$78,528 for cost-per-copy copiers.

Facilities Leased to Others:

<u>Year Ended June 30</u>	<u>Building Leased To External Parties</u>
2010	\$ 90,000

Future minimum payments to be received:

<u>Year Ended June 30</u>	<u>Operating Leases With External Parties</u>
2011	\$ 90,000

Spartanburg Community College has a lease agreement with Spartanburg County to lease the Dent Building at the cost of \$3 per square foot. Spartanburg Community College had a one-year agreement with Spartanburg County in the amount of \$90,000 and plans to continue the lease an additional year.

This lease may terminate during fiscal year 2011 if the College receives approval to acquire the Evans Building from Spartanburg County. The Dent Building would be transferred to the County as part of the purchase price for the Evans Building (see Note 22).

The original cost of the Dent building was \$999,057 and additional improvements have been made in the amount of \$264,110. The accumulated depreciation is \$409,095.

NOTE 11 – ACCOUNTS PAYABLE

Accounts payable as of June 30, 2010 are summarized as follows:

Accounts Payable, Unrestricted	\$ 160,612
Accounts Payable, S.C. Commission on Higher Education	-
Accounts Payable, Non-Current - Budgetex	-
Accrued Salaries and Related Payroll Expenses	-
Accrued Compensated Absences	-
Accrued Interest	-
Total Accounts Payable	<u>\$ 160,612</u>

Component Unit

The Foundation has accounts payable in the amount of \$25 as of June 30, 2010.

SPARTANBURG COMMUNITY COLLEGE
Notes To Financial Statements, Continued
June 30, 2010

NOTE 12 – BONDS AND NOTES PAYABLE

Bonds Payable

Bonds payable consisted of the following at June 30, 2010:

	<u>Interest Rates</u>	<u>Maturity Dates</u>	<u>Balance</u>
Special Student Fee Capital Improvement Bonds:			
Series 1999	4.88%	03/01/2014	\$ 1,069,596
Series 2001	4.80%	03/01/2016	1,261,003
Series 2004	3.45%	03/01/2019	3,825,000
Series 2005	3.74%	11/01/2020	2,418,713
Total Special Student Fee Bonds Payable			<u>\$ 8,574,312</u>

By the authority of Section 59-53-53 of the SC Code of Laws, the area commission on any Community education institution under the jurisdiction of the South Carolina Community education system may borrow for capital improvements from a federal or other lending agency an amount not to exceed its ability to repay the loan through the imposition of a special fee. The terms of the loan may not exceed forty years. An area commission may issue covenants, enter into mortgages, and grant liens limiting the sale or use of certain parcels of real or personal property in its possession when required as a condition of accepting a grant, loan, or donation for specified capital improvement projects.

To amortize the loan, a special fee must be imposed within the limits established by the state board, the proceeds of which must be deposited in a special account to be used for payment of the loan in accordance with the terms negotiated by the commission and the lender. No funds other than the revenue from the special fees may be pledged for payment of the loan.

The College is required to maintain revenue in the amount of 110% of the debt service payments due in each bond year on the Health Science and Student Life Buildings. The College is required to maintain revenue in the amount of 105% of the debt service payment due in each bond year on the Library Building and the Tyger River Campus. The table below summarizes the covenant history for each series:

SPARTANBURG COMMUNITY COLLEGE
Notes To Financial Statements, Continued
June 30, 2010

NOTE 12 – BONDS AND NOTES PAYABLE, Continued

			Student Fees	Principal	Interest	Payments
Bond Issue						
Series 1999	2000	\$	325,638	213,050	84,851	297,901
	2001		331,809	152,505	145,396	297,901
	2002		389,307	160,116	137,785	297,901
	2003		376,776	168,107	129,794	297,901
	2004		367,750	176,496	121,405	297,901
	2005		339,013	185,304	112,597	297,901
	2006		354,827	194,553	103,348	297,901
	2007		347,997	204,262	93,639	297,901
	2008		381,555	214,456	83,445	297,901
	2009		399,582	225,159	72,742	297,901
	2010		341,138	236,395	61,506	297,901
Series 2001	2002	\$	369,839	129,532	114,845	244,377
	2003		312,539	127,304	117,073	244,377
	2004		286,513	133,488	110,889	244,377
	2005		282,348	139,972	104,405	244,377
	2006		296,916	146,771	97,606	244,377
	2007		291,316	153,901	90,476	244,377
	2008		319,316	161,377	83,000	244,377
	2009		334,372	169,216	75,161	244,377
	2010		247,016	177,436	66,941	244,377
Series 2004	2005	\$	447,457	200,000	164,862	364,862
	2006		495,346	215,000	176,659	391,659
	2007		454,369	235,000	168,878	403,878
	2008		796,563	255,000	160,919	415,919
	2009		520,005	275,000	151,392	426,392
	2010		468,447	295,000	141,599	436,599
Series 2005	2006	\$	455,178	83,548	57,180	140,728
	2007		308,341	164,808	116,648	281,456
	2008		338,345	170,819	110,637	281,456
	2009		354,755	177,656	103,800	281,456
	2010		310,917	184,456	97,000	281,456

For the year ended June 30, 2010, the College exceeded covenant requirements for its Series 1999, 2004 and 2005 bonds. While the principal and interest payments were fully covered for the Series 2001 bond, the College fell short in meeting the 10% excess requirement. Bank of America granted a waiver for this excess requirement for the Series 2001 bond for the year ended June 30, 2010. Subsequent adjustments to the bond revenue calculation have corrected this situation.

SPARTANBURG COMMUNITY COLLEGE

Notes To Financial Statements, Continued

June 30, 2010

NOTE 12 – BONDS AND NOTES PAYABLE, Continued

The scheduled maturities of the bonds payable by type are as follows:

Year Ending June 30	Interest Due	Principal Due	Total Due
2011	\$ 341,201	945,765	1,286,966
2012	302,133	999,299	1,301,432
2013	259,889	1,054,605	1,314,494
2014	216,007	1,111,100	1,327,107
2015-2019	518,614	4,056,944	4,575,558
2020-2021	17,297	406,599	423,896
Total	<u>\$ 1,655,141</u>	<u>8,574,312</u>	<u>10,229,453</u>

Component Unit – Bonds Payable

During October 2005, the Foundation was issued an Economic Development Bond by the South Carolina Jobs Economic Development Authority to defray the cost of acquiring, by construction and purchase, a Cherokee County Campus for use by Spartanburg Community College. The bond matures October 1, 2025. Interest and principal on the outstanding balance is payable semi-annually. The bond bears interest at 4.24%. The interest paid through March 9, 2007 was capitalized in the amount of \$159,000 and is included in the cost of the building in the accompanying Statement of Financial Position. The long-term debt maturities required in the future and in the aggregate are as follows:

June 30,	
2011	\$ 101,756
2012	106,116
2013	110,663
2014	115,405
2015	120,350
Thereafter	<u>1,621,380</u>
	<u>2,175,670</u>

Interest expense for the year ended June 30, 2010 was \$94,523.

NOTE 13 – LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2010 was as follows:

	June 30, 2009	Addition	Reductions	June 30, 2010	Due Within One Year
Bonds and Notes Payable:					
Special Student Fee Capital Bonds	\$ 9,467,599	-	893,287	8,574,312	945,765
Capital Lease Obligations	2,393,439	-	98,552	2,294,887	102,775
Accrued Compensated Absences	1,168,643	440,891	424,739	1,184,795	122,631
Total Long-Term Liabilities	<u>\$ 13,029,681</u>	<u>440,891</u>	<u>1,416,578</u>	<u>12,053,994</u>	<u>1,171,171</u>

Additional information regarding Bonds and Notes Payable is included at Note 12.

SPARTANBURG COMMUNITY COLLEGE

Notes To Financial Statements, Continued

June 30, 2010

NOTE 14 – TEMPORARILY RESTRICTED NET ASSETS – COMPONENT UNIT

At June 30, 2010 the Foundation had temporarily restricted net assets as follows:

Cherokee County Campus	\$ 52,742
Alumni Association	1,351
Funds Held by Spartanburg County Foundation	563,304
Scholarships	45,207
Other Balances Held for College Support	15,985
Total	<u>\$ 678,589</u>

NOTE 15 – RELATED PARTIES

A certain separately chartered legal entity whose activities are related to those of the College exists primarily to provide financial assistance and other support to the College and its educational program. Financial statements for that entity are prepared by accountants and retained by the Spartanburg Community College Foundation (the "Foundation").

Management reviewed its relationship with the Foundation under existing guidance of GASB Statement No. 14, as amended by GASB 39. Because of the nature and the significance of its relationship with the College, the Foundation is considered a component unit of the College.

Following is a more detailed discussion of the Foundation and a summary of significant transactions between the Foundation and the College for the year ended June 30, 2010.

The Spartanburg Community College Foundation

The Foundation is a separately chartered corporation organized exclusively to receive and manage private funds for the exclusive benefit and support of the College. The Foundation's activities are governed by its Board of Directors.

The College recorded non-governmental gifts receipts of \$3,155 from the Foundation in non-operating revenues for the fiscal year ending June 30, 2010. These funds were used to support College programs such as scholarships. Funds were also provided for equipment and faculty and staff development. The Foundation reimburses the College for any purchases made by the College on behalf of the Foundation. The College provides office space and support services to the Foundation. Additionally, the Foundation paid the College a total of \$10,000 for administrative services during the year.

The College also leases a building under a capital lease located on the Cherokee County Campus from the Foundation. Lease payments were \$199,000 for the year ended June 30, 2010.

The Foundation's assets as of June 30, 2010 were \$5,158,355.

Related party receivables and payables as of June 30, 2009 are as follows:

Due from the Foundation	\$ 6,028
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SPARTANBURG COMMUNITY COLLEGE

Notes To Financial Statements, Continued

June 30, 2010

NOTE 16 – RISK MANAGEMENT

The College is exposed to various risks of loss and maintains State or commercial insurance coverage for each of those risks. Management believes such coverage is sufficient to preclude any significant uninsured losses for the covered risks. Settlement claims have not exceeded this coverage in any of the past three years.

The State of South Carolina believes it is more economical to manage certain risks internally and set aside assets for claim settlement. Several state funds accumulate assets and the State itself assumes substantially all the risk for the following claims of covered employees:

- Unemployment compensation benefits
- Worker's compensation benefits for job-related illnesses or injuries
- Health and dental insurance benefits
- Long-term disability and group-life insurance benefits

Employees elect health insurance coverage through either a health maintenance organization or through the State's self-insured plan.

The College and other entities pay premiums to the State's Insurance Reserve Fund (IRF), which issues policies, accumulates assets to cover the risk of loss, and pays claims incurred for covered losses relating to the following activities:

- Theft, damage to, or destruction of assets
- Real property, its contents, and other equipment
- Motor vehicles and watercraft
- Torts
- Natural disasters
- Medical malpractice claims against the Infirmary

The IRF is a self-insurer and purchases reinsurance to obtain certain services and to limit losses in certain areas. The IRF's rates are determined actuarially.

The College is insured through the State's blanket fidelity bond insurance policy for all employees for losses arising from theft or misappropriation.

NOTE 17 – OPERATING EXPENSES BY FUNCTION

Operating expenses by functional classification for the year ended June 30, 2010 are summarized as follows:

	Compensation	Benefits	Scholarships and Fellowships	Utilities	Supplies and Other Services	Depreciation	Total
Instruction	\$ 10,795,561	2,734,907	-	-	3,348,332	-	16,878,800
Academic Support	1,755,513	477,401	-	-	714,944	-	2,947,858
Student Services	2,151,782	598,936	-	-	812,937	-	3,563,655
Operation & Maintenance of Plant	1,241,851	368,473	-	865,032	1,590,862	-	4,066,218
Institutional Support	3,188,632	936,831	-	-	5,251,508	-	9,376,971
Scholarships & Fellowships	-	-	10,565,595	-	-	-	10,565,595
Auxiliary Enterprises	169,602	49,197	-	-	2,898,541	-	3,117,340
Depreciation	-	-	-	-	-	1,867,519	1,867,519
Total Operating Expenses	<u>\$ 19,302,941</u>	<u>5,165,745</u>	<u>10,565,595</u>	<u>865,032</u>	<u>14,617,124</u>	<u>1,867,519</u>	<u>52,383,956</u>

SPARTANBURG COMMUNITY COLLEGE
Notes To Financial Statements, Continued
June 30, 2010

NOTE 18 – STATE FISCAL STABILIZATION FUNDS (ARRA FUNDS)

The College incurred expenditures of \$1,424,808 during fiscal year 2010 under American Recovery and Reinvestment Act (ARRA) funding. A portion of these funds (\$155,903) were expended against a special allocation designated for the Cherokee County campus. These funds were awarded to the College via pass-through funding from the U.S. Department of Education (State Fiscal Stabilization Funds), U.S. Department of Labor (Workforce Investment Act), and the U.S. Department of Energy (State Energy Program). ARRA funds were expended primarily for funding full-time faculty/staff positions, fee waivers, and classroom and technology updates.

The schedules below list the individual funds and expenses and the expenses by functional classification.

Funds	Funds Used Through June 30, 2010
ARRA Stabilization:	
10 Full-Time Faculty/Staff Positions with Benefits	\$ 338,963
Note Takers & Tutors for Conseling Center	62,237
Fee Waivers	120,000
Library Books	80,169
Update Classroom Technology	155,079
Classroom Modifications	9,828
Computer Band Width and Related Upgrades	139,425
Gaines Bulding Furnishings	252,511
	<hr/>
Total Stabilization Funds	1,158,212
	<hr/>
ARRA WIA Youth (09-10)	48,578
ARRA WIA Discolated Worker (09-10)	48,770
ARRA Energy Grant	110,948
ARRA Broadband Tech Grant	58,300
	<hr/>
Total Expenditures Incurred Through June 30, 2010	<u><u>\$ 1,424,808</u></u>

Please note that all expenses, *excluding* the capitalized amount, are *included* in the schedule presented in NOTE 17.

	Compensation	Benefits	Scholarships	Utilities	Supplies and Other Services	Capitalized	Total
Instruction	\$ 165,898	38,914	-	-	187,381	24,895	417,088
Academic Support	44,355	13,856	-	-	138,468	-	196,679
Student Services	76,503	16,555	-	-	-	-	93,058
Operation & Maintenance of Plant	-	-	-	-	337,701	25,758	363,459
Institutional Support	65,353	20,367	-	-	50,801	88,625	225,146
Scholarships & Fellowships	-	-	120,000	-	-	-	120,000
Auxiliary Enterprises	7,127	2,251	-	-	-	-	9,378
Total Operating Expenses	<u>\$ 359,236</u>	<u>91,943</u>	<u>120,000</u>	<u>-</u>	<u>714,351</u>	<u>139,278</u>	<u>1,424,808</u>

SPARTANBURG COMMUNITY COLLEGE

Notes To Financial Statements, Continued

June 30, 2010

NOTE 19 – PURCHASES WITH OTHER SC HIGHER EDUCATION INSTITUTIONS

The College had significant financial transactions with other South Carolina public institutions of higher education during the fiscal year. The College received goods and/or services from other South Carolina higher education institutions for a fee, as listed below:

	<u>Purchases</u>
Clemson University	\$ 1,115
University of South Carolina	1,026
USC Upstate	50
Francis Marion University	75
Aiken Technical College	700
Midlands Technical College	636
Piedmont Technical College	190
Trident Technical College	142
Greenville Technical College	90
Total Purchases	<u>\$ 4,024</u>

NOTE 20 – STATEMENT OF ACTIVITIES

	<u>2010</u>	<u>2009</u>	<u>Increase/ (Decrease)</u>
Charges for Services	\$ 37,755,079	26,776,520	10,978,559
Operating Grants and Contributions	9,645,032	7,886,906	1,758,126
Capital Grants and Contributions	1,142,577	1,006,071	136,506
Less: Expenses	<u>(52,865,220)</u>	<u>(44,336,119)</u>	<u>(8,529,101)</u>
Net Program Revenue (Expense)	<u>(4,322,532)</u>	<u>(8,666,622)</u>	<u>4,344,090</u>
Transfers:			
State Appropriations	8,276,090	8,950,506	(674,416)
State Capital Appropriations	-	-	-
Capital Improvement Bond Proceeds	<u>-</u>	<u>-</u>	<u>-</u>
Total General Revenue and Transfers	<u>8,276,090</u>	<u>8,950,506</u>	<u>(674,416)</u>
Change in Net Assets	3,953,558	283,884	3,669,674
Net Assets - Beginning of Year	<u>35,797,158</u>	<u>35,513,274</u>	<u>283,884</u>
Net Assets - Ending	<u>\$ 39,750,716</u>	<u>35,797,158</u>	<u>3,953,558</u>

SPARTANBURG COMMUNITY COLLEGE
Notes To Financial Statements, Continued
June 30, 2010

NOTE 21 – TRANSACTIONS WITH OTHER AGENCIES

The College had significant transactions with the State of South Carolina and various agencies.

Several services received at no cost from state agencies include maintenance of certain accounting records by the Comptroller General; check preparation, banking, bond trustee, and investment services from the State Treasurer; and legal services from the Attorney General.

Other services received at no cost from the various offices of the State Budget and Control Board include pension plan administration, insurance plans administration, grant services, personnel management, assistance in the preparation of the State Budget, review and approval of certain budget amendments, procurement services, and other centralized functions.

NOTE 22 – SUBSEQUENT EVENTS

On June 21, 2010 the Spartanburg County Council unanimously approved a motion to transfer the Evans Building (formerly Spartanburg High School) in downtown Spartanburg to the College to establish a downtown campus, in exchange for the Dent Building, which the County has leased annually from the College (see note 10), and a cash payment equal to the difference in fair market values of the buildings. County Council also approved a special 5 year tax levy to benefit the College in funding the purchase.

On July 26, 2010 the Commission held a special meeting and authorized the College to seek state approval for the purchase of the Evans Building by trading the Dent Building and paying the difference in fair market value of the properties from plant funds set aside for future bond debt reduction and project renovation funds. Funds received from county millage will be used to replenish College plant funds advanced for the purchase.

The College received approval from the State Joint Bond Review Committee on August 5, 2010 to establish a project to evaluate the acquisition of the Evans Building. The final approval to establish the project will be on the agenda of the S.C. Budget and Control Board's Sept. 29, 2010 meeting. Several reviews are required before final approval is received for acquisition.

SPARTANBURG COMMUNITY COLLEGE
Schedule of Reconciliation of Revenues and Cash
Reimbursements Received from State Board
June 30, 2010

	STATE			
	SUB FUND		CURRENT FUND	
	CODE		UNRESTRICTED	RESTRICTED
NET REIMBURSEMENT REQUESTED				
(PER COLLEGE RECORDS)				
STATE APPROPRIATED - OPERATIONAL	1001	\$	5,218,548	-
STATE APPROPRIATED - EMPLOYERS SHARE	1001		1,411,644	-
STATE APPROPRIATED - CHEROKEE EXPANSION	1001		1,066,842	-
STATE APPROPRIATED - CAPITAL PROJECTS	3600		-	-
CAPITAL PROJECTS - OTHER FUNDS (SURPLUS LOTTERY)	3907		-	-
LOTTERY EQUIPMENT	43B1		-	285,984
LOTTERY TUITION	43B1		-	2,493,344
SPECIAL SCHOOLS ADMIN	1001		-	51,197
APPRENTICESHIP	5055		-	12,874
ALLIED HEALTH INITIATIVE	43B1		-	292,114
ARRA STABILIZATION	54S29		1,216,512	-
ARRA WIA ADULT	51S79		-	-
ARRA WIA YOUTH	51S79		-	48,578
ARRA WIA DISLOCATED WORKER	51S79		-	48,771
PATHWAYS TO PROSPERITY	1001		-	38,835
SALE OF SURPLUS	3958		1,325	-
TOTAL REIMBURSEMENTS REQUESTED			8,914,871	3,271,697
RECONCILIATION OF RECEIPTS TO REQUESTED				
ADD: REIMBURSEMENTS RECEIVED FY 2010				
STATE APPROPRIATED - OPERATIONAL	1001	\$	5,218,548	-
STATE APPROPRIATED - EMPLOYERS SHARE	1001		1,411,644	-
STATE APPROPRIATED - CHEROKEE EXPANSION	1001		1,066,842	-
STATE APPROPRIATED - CAPITAL PROJECTS	3600		-	-
CAPITAL PROJECTS - OTHER FUNDS (SURPLUS LOTTERY)	3907		-	-
LOTTERY EQUIPMENT	43B1		-	146,139
LOTTERY TUITION	43B1		-	2,534,862
SPECIAL SCHOOLS ADMIN	1001		-	88,307
APPRENTICESHIP	5055		-	22,582
ALLIED HEALTH INITIATIVE	43B1		-	442,285
ARRA STABILIZATION	54S29		793,278	-
ARRA WIA ADULT	51S79		-	-
ARRA WIA YOUTH	51S79		-	48,578
ARRA WIA DISLOCATED WORKER	51S79		-	13,492
PATHWAYS TO PROSPERITY	1001		-	58,745
MISC - SALE OF SURPLUS	3958		1,325	-
TOTAL CASH RECEIPTS DURING FISCAL YEAR			8,491,637	3,354,990
DEDUCT: REIMBURSEMENTS RECEIVABLE ON 6/30/09				
STATE APPROPRIATED - OPERATIONAL	1001	\$	-	-
STATE APPROPRIATED - EMPLOYERS SHARE	1001		-	-
STATE APPROPRIATED - CHEROKEE EXPANSION	1001		-	-
STATE APPROPRIATED - CAPITAL PROJECTS	3600		-	-
CAPITAL PROJECTS - OTHER FUNDS (SURPLUS LOTTERY)	3907		-	-
LOTTERY EQUIPMENT	43B1		-	146,139
LOTTERY TUITION	43B1		-	(48,406)
SPECIAL SCHOOLS ADMIN	1001		-	54,340
APPRENTICESHIP	5055		-	11,226
ALLIED HEALTH INITIATIVE	43B1		-	174,426
ARRA STABILIZATION	54S29		-	-
ARRA WIA ADULT	51S79		-	-
ARRA WIA YOUTH	51S79		-	-
ARRA WIA DISLOCATED WORKER	51S79		-	-
PATHWAYS TO PROSPERITY	1001		-	19,271
TORT LIABILITY REFUND	1001		-	-
TOTAL CASH RECEIPTS DURING 6/30/09			-	356,996
ADD: REIMBURSEMENTS RECEIVABLE ON 6/30/10				
STATE APPROPRIATED - OPERATIONAL	1001	\$	-	-
STATE APPROPRIATED - EMPLOYERS SHARE	1001		-	-
STATE APPROPRIATED - CHEROKEE EXPANSION	1001		-	-
STATE APPROPRIATED - CAPITAL PROJECTS	3600		-	-
CAPITAL PROJECTS - OTHER FUNDS (SURPLUS LOTTERY)	3907		-	-
LOTTERY EQUIPMENT	43B1		-	285,984
LOTTERY TUITION	43B1		-	(89,924)
SPECIAL SCHOOLS ADMIN	1001		-	17,230
APPRENTICESHIP	5055		-	1,518
ALLIED HEALTH INITIATIVE	43B1		-	24,255
ARRA STABILIZATION	54S29		423,234	-
ARRA WIA ADULT	51S79		-	-
ARRA WIA YOUTH	51S79		-	-
ARRA WIA DISLOCATED WORKER	51S79		-	35,279
PATHWAYS TO PROSPERITY	1001		-	(639)
SALE OF SURPLUS	3958		-	-
TOTAL CASH RECEIPTS DURING 6/30/10			423,234	273,703
TOTAL APPROVED REIMBURSEMENTS APPLICABLE TO FISCAL YEAR ENDED JUNE 30, 2010		\$	8,914,871	3,271,697

SPARTANBURG COMMUNITY COLLEGE
Schedule of Local Government Support
For the Year Ended June 30, 2010

Schedule 2

LOCAL GOVERNMENT

Spartanburg County - Appropriation	\$ 4,490,000
Spartanburg County - Capital	1,000,000
Cherokee County - Appropriation	290,791
Union County	<u>90,000</u>
 Total Local Support	 <u><u>\$ 5,870,791</u></u>